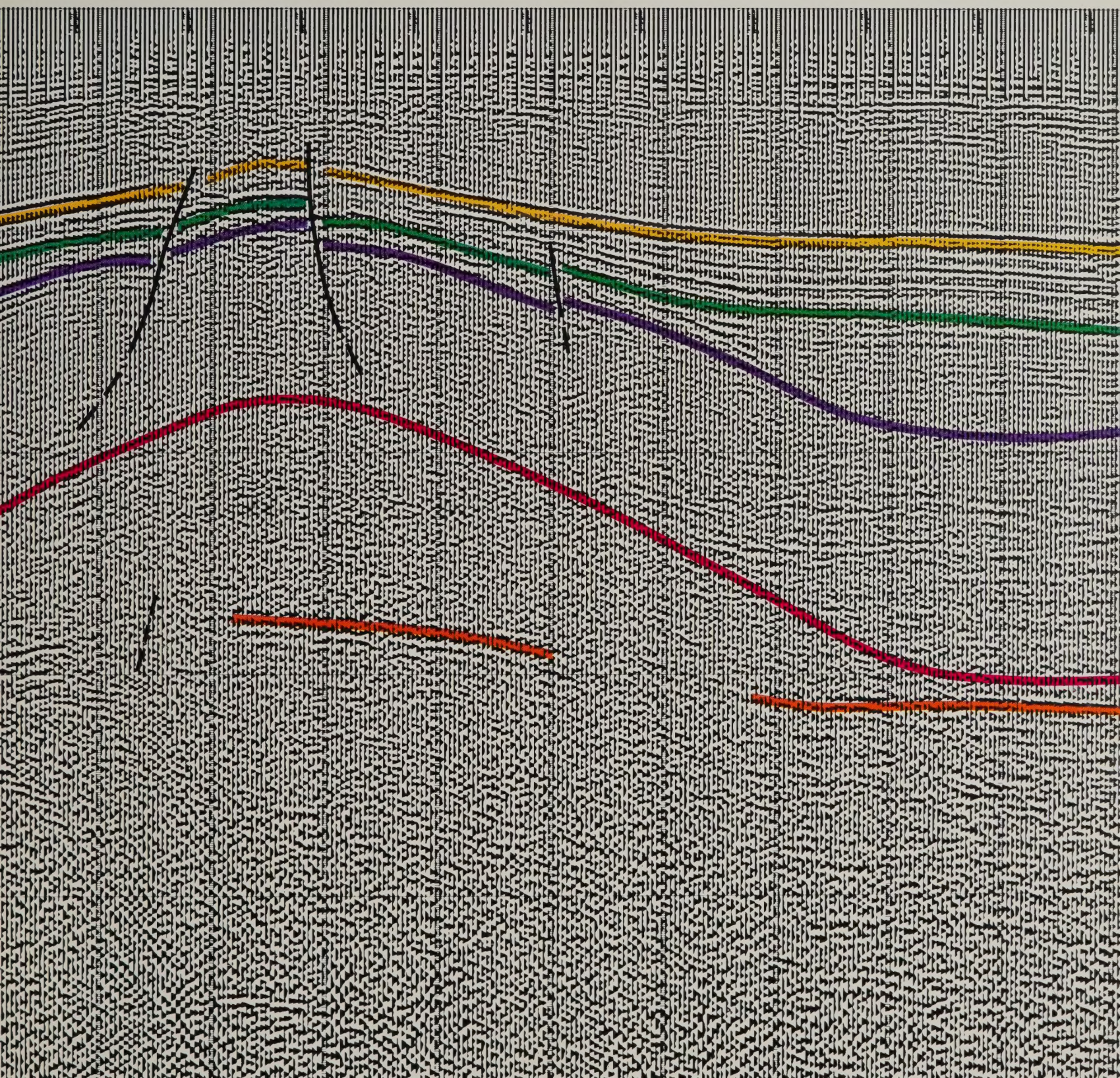


AR23

Research

SYRACUSE OILS LIMITED
annual report 1970



ANNUAL MEETING

The Annual General Meeting of the Company will be held on Thursday October 29, 1970 in the Banff Suite of the Calgary Inn, 4th Avenue & 3rd Street S.W., Calgary, Alberta at 10:00 o'clock in the forenoon. The notice of meeting, proxy and information circular are enclosed.

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CORPORATE INFORMATION AND HIGHLIGHTS	Front Flap
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FIVE-YEAR STATISTICAL RECORD	20

COVER

Since Syracuse began international operations it has participated in shooting thousands of miles of modern marine seismic in the offshore waters of 10 foreign countries. The cover depicts a typical seismic record section in the North Sea revealing a salt diapir which has risen almost to the ocean floor by cutting through the overlying sedimentary beds. Salt structures such as these commonly trap oil and gas in the surrounding sedimentary beds.

DIRECTORS

J. Richard Harris
President, Calgary, Alberta

Geoffrey A. Kohn
Financier, Birmingham, England

Angus A. MacKenzie
Oil Executive, Sunningdale, England

James S. Palmer
Barrister and Solicitor, Calgary, Alberta

Arthur Pollard
Refinery and Pipeline Executive,
Les Marronniers, Jersey, C.I.

Thatcher L. Townsend, Jr.
Banker, Winston-Salem, North Carolina

OFFICERS AND KEY PERSONNEL

J. Richard Harris, B.Sc., M.A., P.Geol.
President and General Manager

Arthur Pollard
Vice President

C. Rod De Luca, B.Sc., M.B.A.
Vice President - Operations

William R. Keir, B.Sc., P.Eng.
Vice President - Engineering

James S. Palmer, B.A., LL.B.
Secretary and Treasurer

Ed Miller, B.Sc., P.Geol.
Chief Geologist - Domestic

Fred J. Wellhauser, B.Sc., M.Sc.
Chief Geologist - International

Andrew T. Gibson
Chief Landman

WHOLLY-OWNED COMPANIES

Vanlorne Oils Limited

Mystery Oil Limited

Dundee Oils Ltd.

Northern Alberta Pipelines Limited

Syracuse Oils (U.K.) Ltd.

AFFILIATED COMPANIES

Syracuse Oils Norge A/S (15%)

Woodford Oil & Gas Ltd. (14%)

Walvis Bay Oil and Gas Ltd. (14%)

H.M. Pan Ocean-Syracuse Oil South Africa
(Proprietary) Limited (17%)

Oceanica Petroli Italiana S.p.A. (10%)

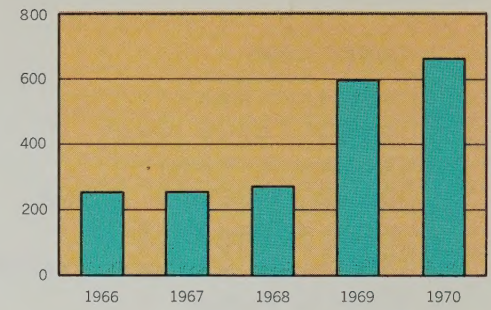
Syracuse Oils (Nigeria) Ltd. (75%)

HEAD OFFICE

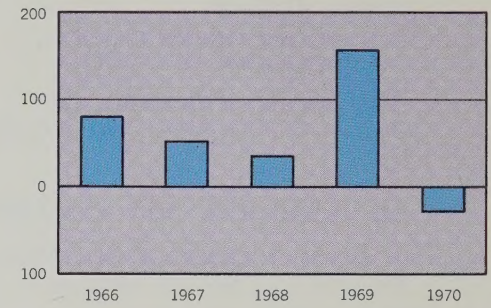
635 Bentall Building
Calgary 2, Alberta
Telephone 403/264-1195
Cable "Syracuse"
Telex 038-24692

HIGHLIGHTS

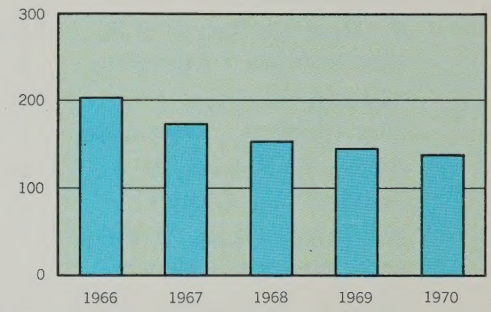
GROSS INCOME
(After Royalty)
(Thousands of dollars)



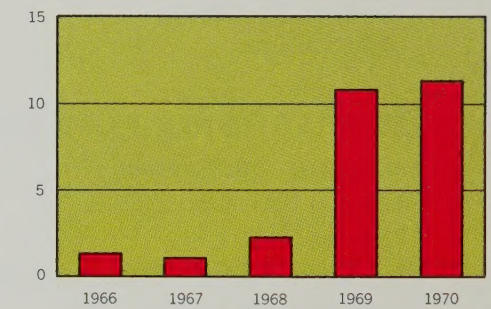
CASH FLOW
(Thousands of dollars)



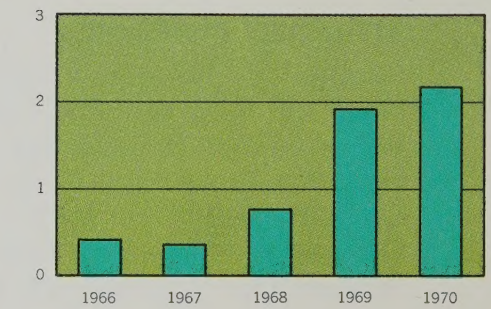
OIL SALES
(Net After Royalty)
(Bbls/day)



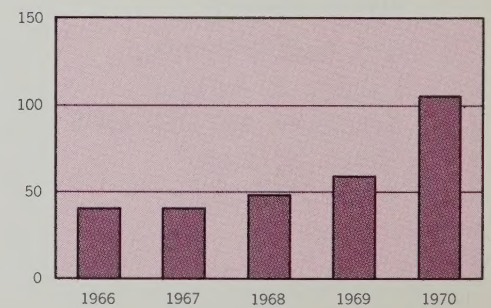
GAS SALES
(Net After Royalty)
(Mmcf/day)



OIL RESERVES
(Net After Royalty)
(Million barrels)



GAS RESERVES
(Net After Royalty)
(Billion cubic feet)



DIRECTORS' REPORT TO SHAREHOLDERS

Gross income after royalties for the 1970 fiscal year increased to a new high of \$665,000 as compared with \$599,000 for the previous year. This was primarily due to the continuing demand for gas from the Lac La Biche field and to \$53,000 in non-recurring profit realized on the sale of 200 shares in Syracuse Oils Norge A/S. Cash flow of minus \$28,000 was less than the \$163,000 recorded one year earlier because of higher general and administrative expenses resulting from technical staff additions, office expansion in Canada and overseas, and from debenture interest payments. These items, together with increased provisions for amortization and depreciation, resulted in a net loss of \$285,000 for the year as compared to a net profit of \$30,000 the preceding year. The shareholders should note the unusual annual charge for accelerated depreciation and the provision for future loss on investments provided for in this year's profit and loss statement.

Oil revenues increased about 6.5 percent during the year in spite of slightly lower sales due to the disposal of certain marginal properties. Oil reserves increased appreciably and significant increases in sales and revenue are anticipated in the coming year as the recently completed Hamilton Lake waterflood project is brought into full operation. Gas sales exceeded the record levels last year by 11 percent and in the Lac La Biche field additional drilling increased the total available reserves.

Syracuse further enhanced its position as an important land holder in prospective geologic basins throughout the world. At May 31, 1970 the Company held an interest in approximately 73,000,000 gross acres equivalent to about 10,000,000 net acres. The major acquisition was a 12½ percent interest in two offshore contract areas in the Republic of Indonesia totalling approximately 29,000,000 acres. The Company also added considerable offshore acreage to its holdings in the Italian Adriatic Sea and the Republic of the Maldiv Islands. In Canada, additional acreage was acquired in Alberta, the Northwest Territories and the Yukon. Shortly after the close of the fiscal year, two very important additional acquisitions were made. The Company obtained a 20 percent interest in 778,000 acres in the Arabian Gulf off the coast of Abu Dhabi. This acreage is only eight miles west of the recent Raazoot oil discovery by the Abu Dhabi Marine Areas, Ltd., a company owned 67 percent by British Petroleum Co. Ltd. and 33 percent by Compagnie Francaise Des Petroles. The Company also acquired a 25 percent interest in two blocks in the U.K. sector of the North Sea and has a 20 percent interest in an application pending on one additional block in the Norwegian sector. These blocks are all in the vicinity of a recent Norwegian oil discovery made by Esso.

Exploratory programs conducted during the year included the shooting of 3,800 miles of marine seismic on the Indonesian acreage and the completion of gravity and magnetometer surveys in the Maldiv Islands. Marine seismic programs are underway on the Company's acreage in the English North Sea, the Adriatic Sea and in Abu Dhabi.

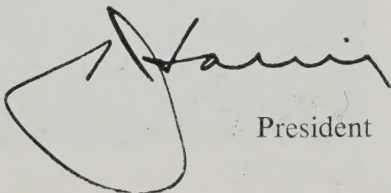
The Company participated in the drilling of 40 wells during 1970 making it the most active year in the Company's history. Thirty six of these wells were drilled in Alberta of which 10 were completed as oil wells and 13 were completed as gas wells. The remaining wells were drilled overseas: 1 offshore Norway, 1 offshore Holland and 2 onshore South Africa. Although all of these wells were subsequently abandoned, significant gas shows were encountered in the Dutch well and oil shows were encountered in one of the South African wells.

As a result of the ambitious drilling program undertaken during the year, the Company added significantly to its reserves of petroleum which now include more than 2,000,000 barrels of petroleum and 100 billion cubic feet of gas. One of the largest single reserve additions came through the drilling of 10 additional gas wells in the Craigend area of Alberta where the Company signed a long-term gas supply contract in December 1969 with Northern Natural Gas Company of Omaha, Nebraska. In conjunction with this contract, Syracuse received \$331,500 in gas prepayments during the fiscal year and sales should commence in November 1971.

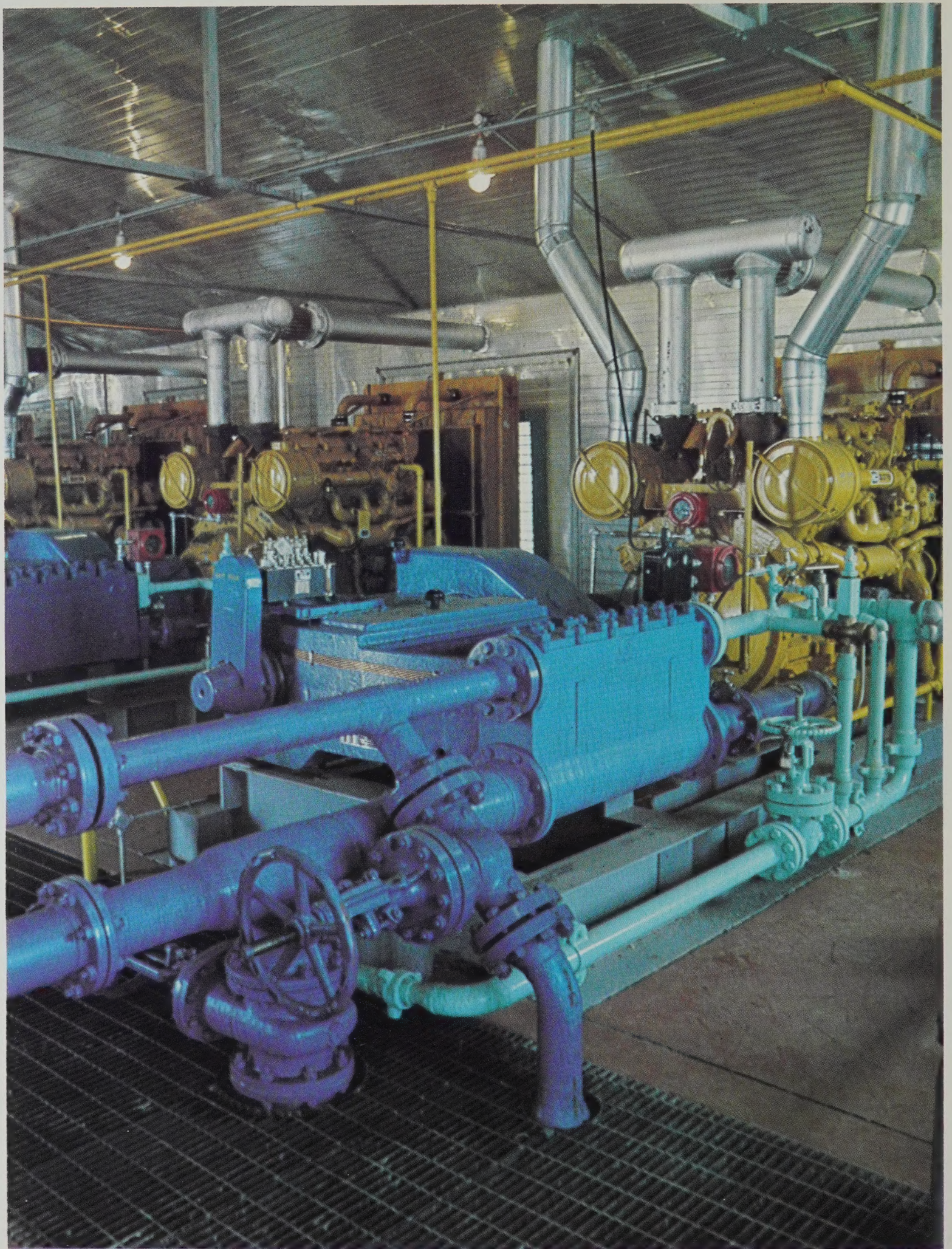
On December 16, 1969 the Company's shares were listed for trading on the Toronto Stock Exchange under the ticker symbol SYO thus providing a more extensive market for the Company's stock. Private placements of 148,574 shares at \$5.50 per share with \$8.50 warrants attached were made during the year to finance the Indonesian operation.

The Board of Directors wish to express their appreciation to the entire staff for their efforts toward the fulfillment of the Company's growth objectives and to the continued interest and support of the shareholders.

September 30, 1970



President



Hamilton Lake Water Injection Plant.

REVIEW OF OPERATIONS

PRODUCTION

CRUDE OIL

Net oil sales for the 1970 fiscal year after deducting royalties amounted to 145 barrels per day as compared to 146 barrels per day for 1969. This slight decrease was primarily due to the disposal of certain old oil leases thus completing the Company's two-year program of abandoning leases which have become marginally profitable. However, the revenue from oil sales increased 6.5 percent over last year due to higher product prices in the newer, more profitable fields. Oil production and sales should rise appreciably during the coming year as a result of the Hamilton Lake waterflood project which was fully operational in July 1970.

At May 31, 1970 the Company owned an average 62 percent interest in 42 oil wells which is equivalent to a 100 percent interest in 26 oil wells.

NATURAL GAS

Net gas sales for 1970 after deducting royalties amounted to 11,235 Mcf per day as compared to 10,947 Mcf per day last year. This 11 percent increase reflects the continued high rate of production from the Lac La Biche field in northeastern Alberta. No operational difficulties have been experienced in this important field which was connected to market in 1968. The Lac La Biche gas reserves have continued to increase through additional development drilling.

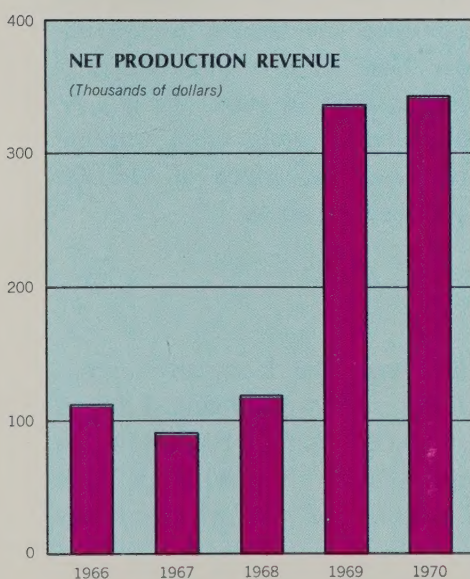
During the past year, 14 additional wells were drilled in the Craighend area in northeastern Alberta bringing the total number of gas wells in this field to 15. On December 11, 1969 the Company signed a gas purchase contract with Northern Natural Gas Company of Omaha, Nebraska, covering the Craighend gas reserves. Pursuant to the contract, Syracuse received \$331,500 in prepayments during the 1970 fiscal year. It is estimated that actual deliveries from Craighend will commence in November 1971.

Another long-term gas supply contract was also signed by the Company during the year. This contract with Trans-Canada Pipe Lines Ltd. deals with the natural gas reserves in the Winnifred area where Syracuse is operator for a five-company group. The group is currently studying the economics of connecting this field in the 1970-71 season.

At May 31, 1970, the Company owned an average 56 percent interest in 59 gas wells which is equivalent to a 100 percent interest in 33 gas wells.

RESERVES

Reserves of crude oil and natural gas, as reported by McDaniel Consultants (1965) Ltd. and adjusted to year-end, reached record levels during the past year. Crude oil reserves at May 31, 1970 after deducting all royalties and interests belonging to others, including future reversions, were estimated at 2,174,522 barrels, a 12 percent increase over the 1,934,000 barrels of oil reserves owned on May 31, 1969. Natural gas reserves at May 31, 1970 of 106 billion cubic feet represented a 77 percent increase over the 60 billion cubic feet owned one year earlier. Converting gas reserves to equivalent barrels of oil based on price, the Company's total reserves at May 31, 1970 amounted to 5,979,100 barrels of oil equivalent.



LAND HOLDINGS

WORKING INTEREST

At the close of the 1970 fiscal year the Company held an interest in 72,591,187 gross acres or 10,209,514 net acres in Canada and six foreign countries.

In Alberta, the Company continued to add to its land portfolio particularly in the Craigend area where the Company held a 50 percent interest in more than 100,000 acres at May 31, 1970. Other acquisitions were made in the Calling Lake, Ricinus and Winnifred areas during the year.

Early in 1970 the Company acquired a 50 percent interest in approximately 216,000 acres in the Northwest Territories 150 miles southwest of the recent Imperial Oil Atkinson discovery. The Company also acquired a 25 percent interest in 140,000 acres in the Yukon Territory located to the west of the Mackenzie Delta.

Early in the first quarter of the 1969 fiscal year, Syracuse acquired an interest in two offshore contract areas in Indonesia totalling approximately 29,000,000 acres. Jenney Manufacturing Company of Boston, Massachusetts, is acting as operator for a four-company group comprised of Syracuse (12½ percent), Jenney (12½ percent), States Marine Lines, Inc. (37½ percent) and Santa Fe International Corporation (37½ percent). The production sharing contract on the 17,100,000-acre Mentawai block located off the west coast of Sumatra was amended in early 1970 to include an area called Simeulue Island, thereby increasing the size of this block by 1,300,000 acres. This new acreage, in which Syracuse has a 9-3/8 percent interest, is located about 70 miles due south of a recent Union Oil gas discovery. The block known as Karimata, consisting of approximately 11,700,000 acres, is in the South China Sea about 150 miles north of several recent oil discoveries made by the Arco-Natomas group.

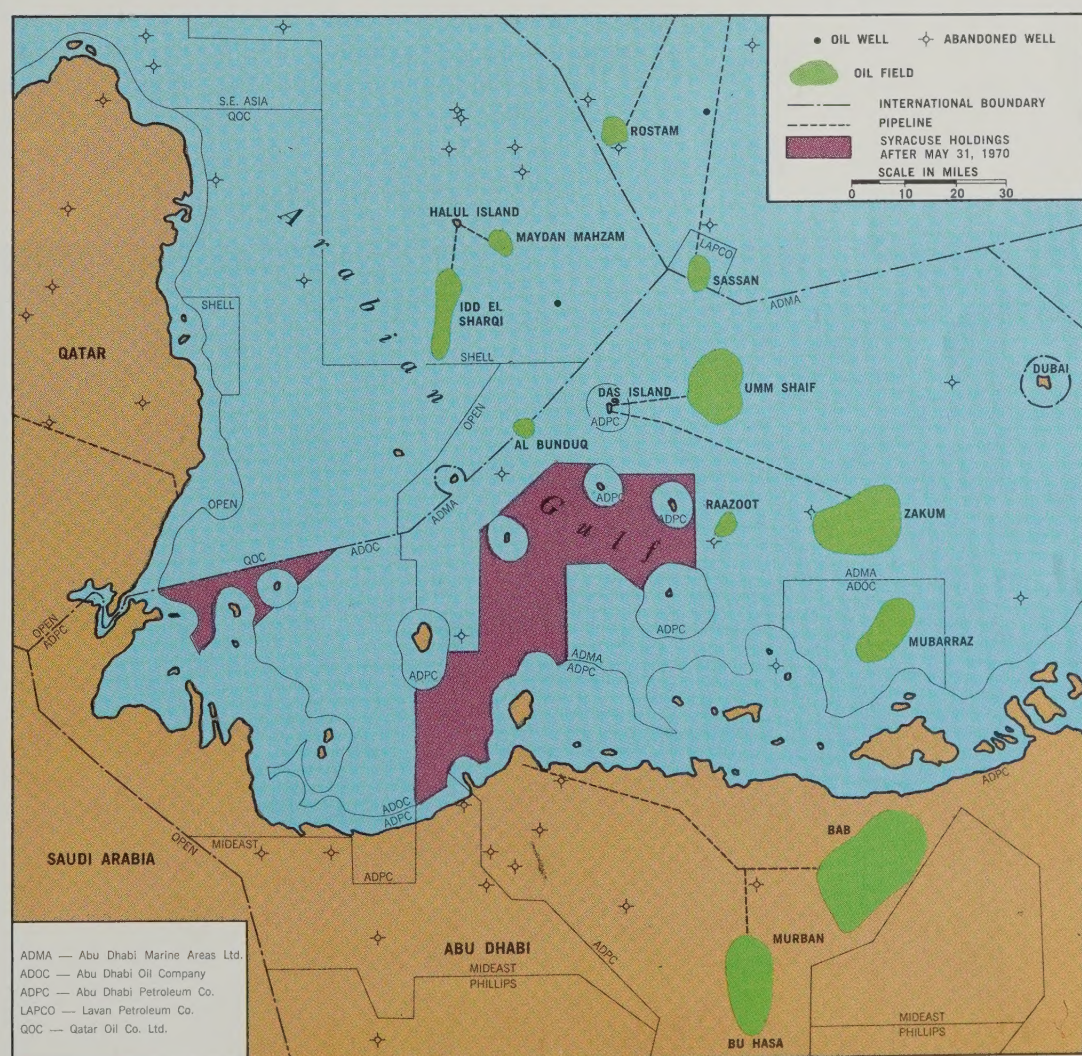
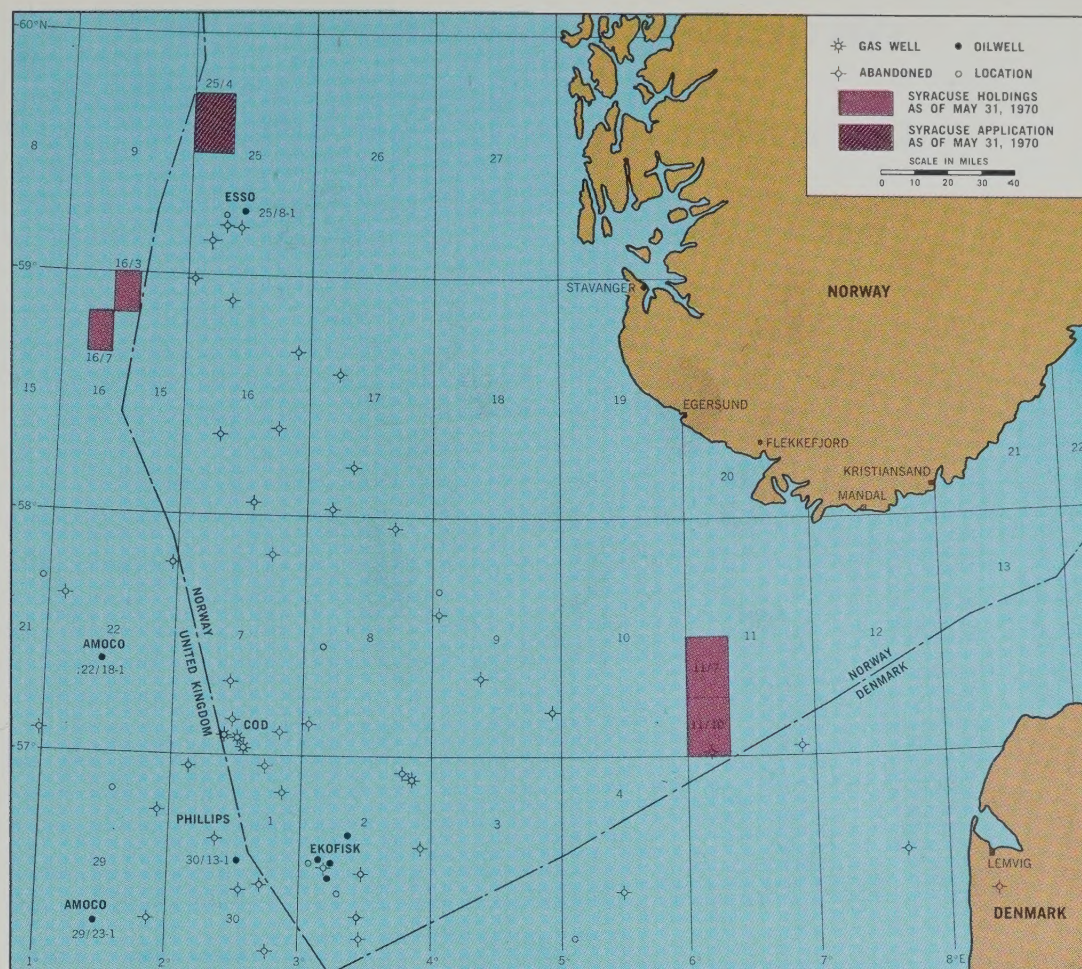
In return for its original investment, Syracuse assigned to others its 20 percent interest in a 20,000,000-acre concession located in the North Karroo area of South Africa which, it was decided, did not warrant further exploration.

Further concessions were awarded in the Italian sector of the Adriatic Sea during the 1970 fiscal year and Syracuse now holds a 10 percent interest in approximately 170,000 acres. The Company also increased its interest from 7½ percent to 12½ percent in the 30,200,000-acre offshore concession in the Maldive Islands.

Additional overseas concessions were awarded the Company after the fiscal year ended May 31, 1970. Through a new subsidiary, Syracuse Oils (U.K.) Ltd., the Company has obtained a 25 percent interest in approximately 110,000 acres comprising Blocks 16/3 and 16/7 recently awarded in the U.K. sector of the North Sea. These blocks are about 35 miles southwest of a recent oil discovery by Esso. An additional acquisition of significant importance to the Company was made in Abu Dhabi where the Company obtained a 20 percent interest in approximately 778,000 offshore acres located in the Arabian Gulf. These lands are only 15 miles southwest of Umm Shaif, the largest offshore field in Abu Dhabi. At May 31, 1970 the Company had a 20 percent interest in an application pending on Block 25/4 in the Norwegian sector of the North Sea. This block of 135,000 acres is 15 miles northwest of the Esso discovery referred to above.

ROYALTY INTEREST

Due to the conversion of several reservations to leases, the Company's gross royalty interest holdings at the end of the 1970 fiscal year were reduced to an average 1.38 percent royalty on approximately 790,000 acres, equivalent to 65,400 net royalty-acres, located entirely in northern Alberta. Several wells were drilled by others on this acreage during the past winter and one of these was completed as an oil well.



EXPLORATION AND DEVELOPMENT

During the 1970 fiscal year the Company participated in the most active drilling program in its history. In Alberta, a total of 36 wells were drilled in the Craigend, Lac La Biche, Calling Lake, Winnifred and Hamilton Lake areas. Ten were completed as oil wells and 13 were completed as natural gas wells.

In Europe, the Company participated in the drilling of two wells: one in the Norwegian sector of the North Sea and the other off the coast of Holland. Both wells proved to be non-commercial and were abandoned. However, significant gas shows were encountered in the Dutch test and a second well is being considered.

A 2,300-mile reconnaissance seismic survey was conducted on the Company's two offshore areas in Indonesia earlier this year. The results of this survey proved to be very encouraging and a further 1,500 miles of detailed marine seismic were completed before year-end.

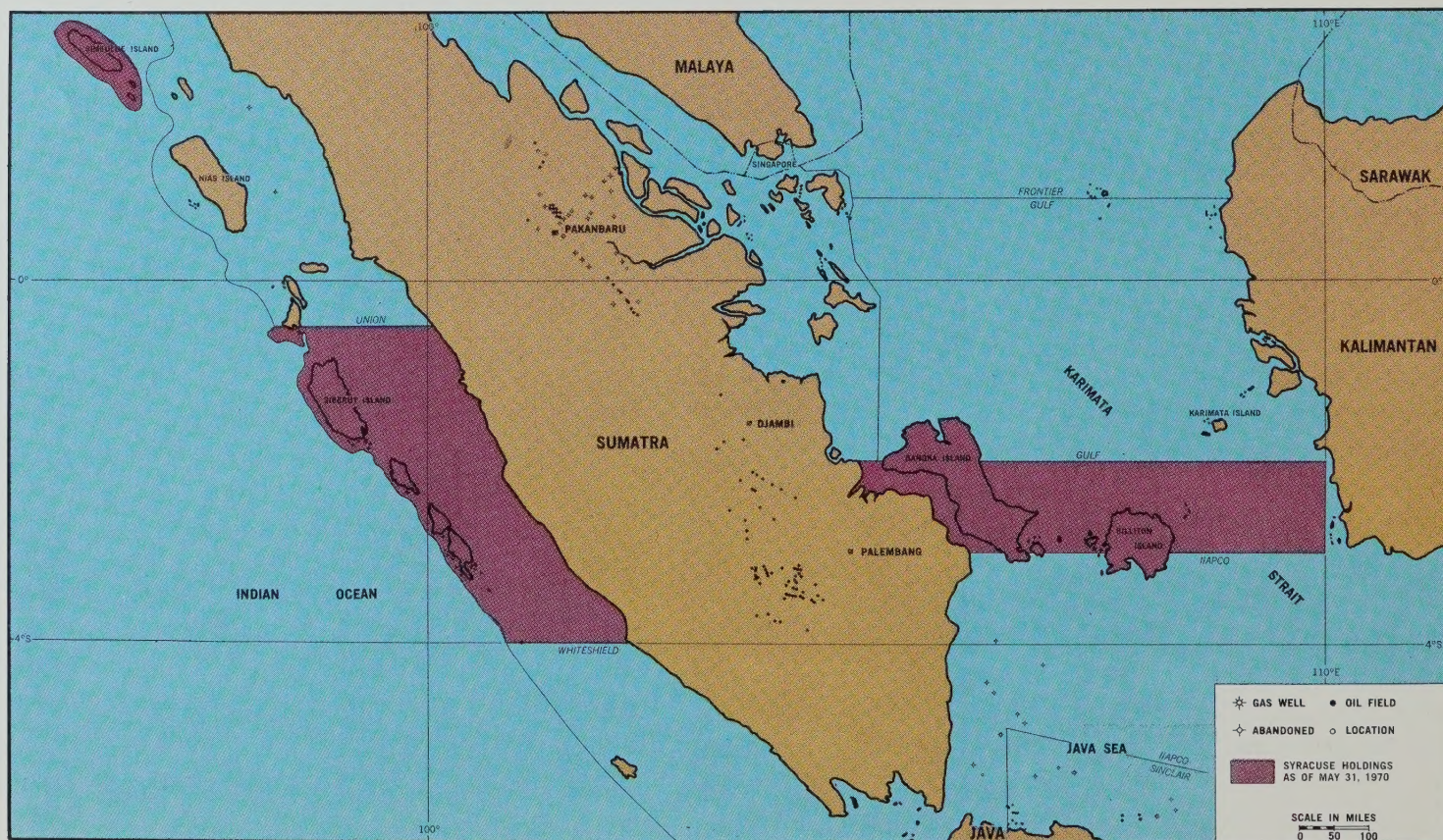
The results of the 650-mile marine seismic program conducted on Block IV(b) off the coast of Liberia were disappointing. This exploration program, which was conducted at no cost to the Company, has been abandoned.

During the past year the Company also participated in the drilling of two wells in the Port Elizabeth area of South Africa. One of these wells, the Soekor/H.M. Mining Alexandria AL 1/69, encountered significant oil shows which subsequently proved to be non-commercial. Two other wells are still drilling in this area and should reach total depth in the near future. The results of a seismic survey conducted on offshore Concession Cb south of Cape Town were not encouraging and this acreage has been relinquished. In South West Africa the Company also relinquished its interest in offshore Blocks 8A and 8B after reviewing the seismic data collected during the year.

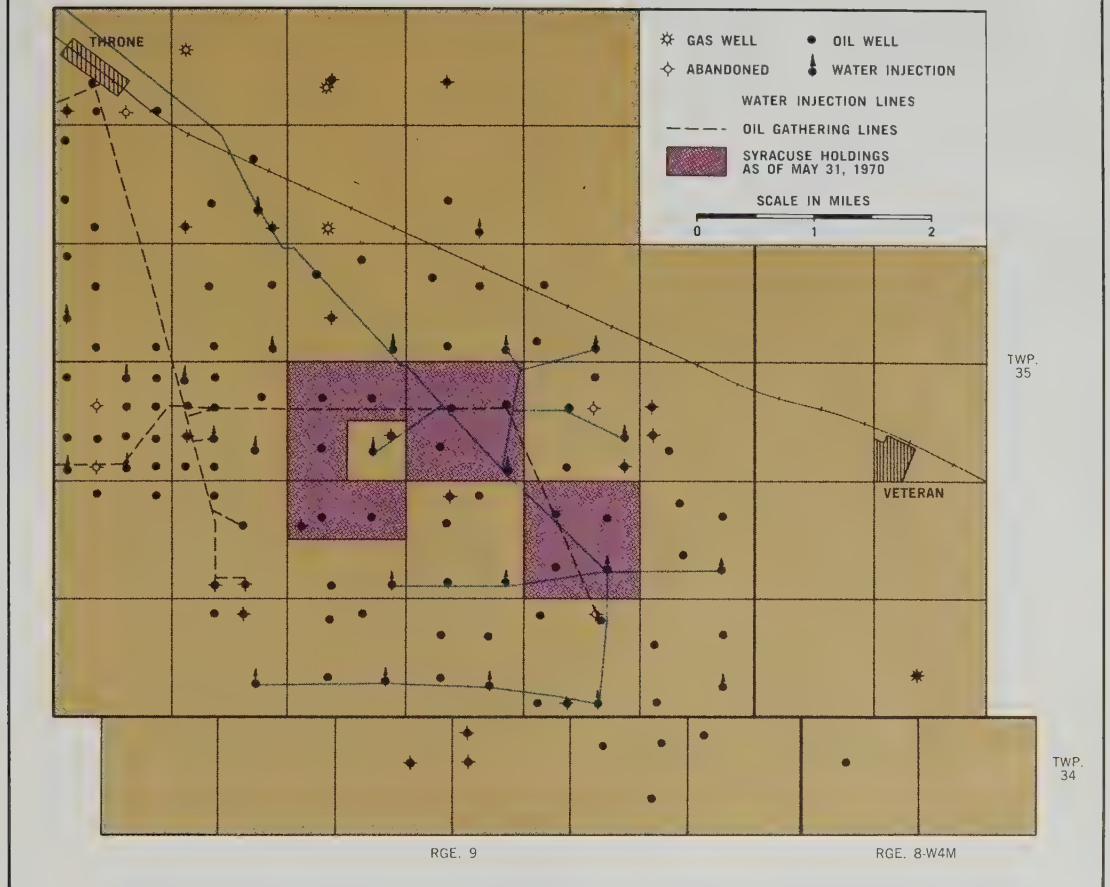
Gravity and magnetometer surveys have been completed offshore in the Republic of the Maldives southwest of India. A marine seismic program is planned for this area later in 1970.

The Company is participating in marine seismic surveys which have commenced in the English North Sea, the Adriatic Sea and in Abu Dhabi.

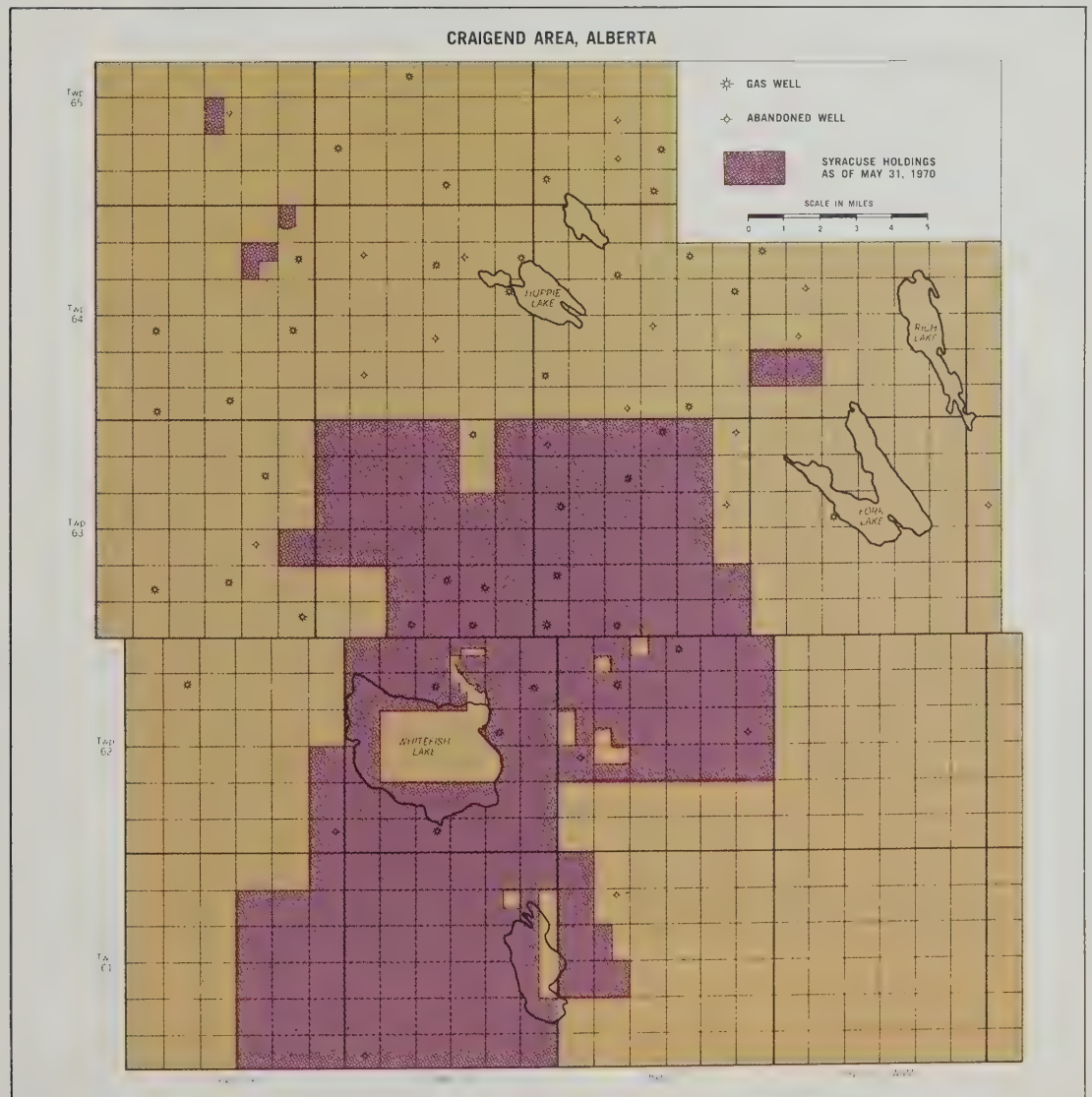
In connection with its Arctic acreage, the Company and its partners are participating in the Polarquest Joint Venture, a regional geological and geophysical survey being conducted by a group of companies throughout much of Canada's Arctic. Interest in the Arctic was heightened again this year as a result of the recent Atkinson Point oil discovery made by Imperial Oil Limited in the Mackenzie River delta.



HAMILTON LAKE AREA • ALBERTA



CRAIGEND AREA, ALBERTA



FINANCIAL REVIEW

Gross income after royalties for the 1970 fiscal year of \$664,734 was 11 percent higher than income of \$598,557 during 1969. This increase was due in part to the continued high rate of production from the Lac La Biche gas field. The Company also realized a non-recurring profit on the sale of assets during the year amounting to \$53,083 resulting from the sale of 200 shares of stock in Syracuse Oils Norge A/S. Cash flow of minus \$28,470 was less than the \$163,022 recorded one year earlier due mainly to higher general and administrative expenses resulting from staff additions and office expansion in Canada and overseas, and continuing debenture interest payments during the fiscal year. These items, together with increased provisions for amortization and depreciation, resulted in a 1970 net loss of \$284,941 as compared to a 1969 net profit of \$30,116. The shareholders should note the unusual annual charge for accelerated depreciation and the provision for future loss on investments provided for in this year's profit and loss statement.

A significant corporate development occurred on December 16, 1970 when the Company's shares were listed for trading on the Toronto Stock Exchange under the ticker symbol SYO. This is the largest exchange in Canada and should provide a more extensive market for Syracuse shares. Two private placements of 148,574 shares at \$5.50 per share were made during the year. Additionally, warrants were granted with a term of five years to purchase at a price of \$8.50 per share, three shares for each four shares originally purchased.

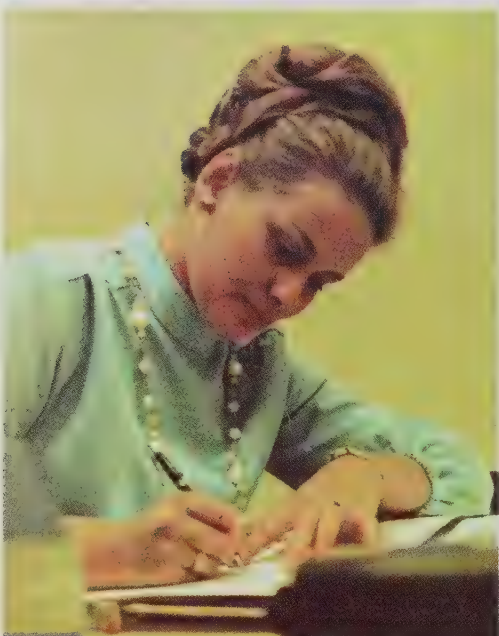
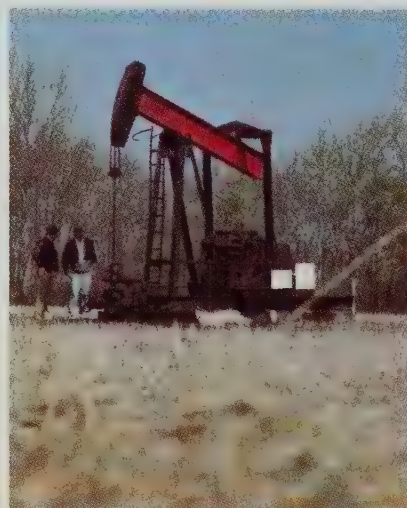
Upon execution of the gas purchase contract with Northern Natural Gas Company for reserves in the Craigend field in Alberta, the Company received a prepayment amounting to \$250,000. A further prepayment of \$81,500 based on increased gas reserves was received in May 1970 and these amounts have been reflected on the balance sheet as an increase in deposits on future gas deliveries.

Overseas, the Company increased its interest in Woodford Oil & Gas Ltd. and Walvis Bay Oil and Gas Ltd. to approximately 14 percent through the acquisition of additional shares in both companies. However, because of the abandonment of certain African properties referred to above, the Company has written off the cost of these areas against its 1970 earnings.

During the year, the Company formed Syracuse Oils (U.K.) Ltd., a wholly owned subsidiary, to carry out exploration in the U.K. and Syracuse Oils (Nigeria) Ltd., owned 75 percent by the Company, to carry out exploratory activity in Nigeria.

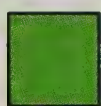
The number of technical and financial staff members located in the Company's Calgary head office doubled from five to ten during the past fiscal year necessitating a move into larger offices. In addition, the Company opened offices in London, Johannesburg, and Djakarta.

Syracuse instituted a voluntary Retirement Savings Plan and a Deferred Profit Sharing Plan during the year which are intended to assist employees in achieving financial security at retirement. Both of these plans have been very well received by the Company's employees.



SYRACUSE PRODUCTIVE PROPERTIES IN ALBERTA

ERA	PERIOD	APPROXIMATE AGE (MILLION YEARS)	AVERAGE DEPTH NEAR CALGARY (FEET)	AREAS , FIELDS AND FORMATIONS			
				SOUTHERN PLAINS	CENTRAL PLAINS	NORTHEASTERN PLAINS	NORTHWESTERN PLAINS
				WINNIFRED, HAMILTON LAKE	CARNWOOD, GARRINGTON PEMBINA, LEDUC, CLIVE	LAC LA BICHE, CRAIGEND CALLING LAKE, ASHMONT	RENO - SPRINGBURN
MESOZOIC	UPPER CRETACEOUS	70	5100		CARDIUM		
				SECOND WHITE SPECKLED SHALE			
	LOWER CRETACEOUS	105	5900	VIKING		VIKING	
						GRAND RAPIDS	
						GLAUCONITE	
	JURASSIC	135	7200				
PALEOZOIC	TRIASSIC	180	7400				
	CARBONIFEROUS	220	7600				
	MISSISSIPPIAN	320	7800				
	UPPER DEVONIAN	350	8400		NISKU	WABAMUN	
					LEDUC	GROSMONT	LEDUC
	MIDDLE DEVONIAN						BEAVERHILL LAKE
		370	9800				
		400	11,300				



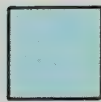
OIL PRODUCTION



OIL & GAS PRODUCTION



GAS PRODUCTION



FORMATION NOT PRODUCTIVE

CONSOLIDATED BALANCE SHEET • May 31st, 1970 (with 1969 figures for comparison)

ASSETS		
	1970	1969
CURRENT ASSETS:		
Cash in Banks	\$ 215,450	\$ 240,027
Accounts Receivable (Note 1)	483,160	336,510
Performance Deposits	15,308	134,420
Inventory of Oil and Supplies valued at the lower of cost or replacement cost	75,014	48,476
Prepaid and Deferred Charges	11,702	12,133
	<u>800,634</u>	<u>771,566</u>
INVESTMENTS IN OTHER COMPANIES (Note 2)	<u>324,395</u>	<u>286,697</u>
FIXED ASSETS:		
Real Estate, Machinery and Equipment, at cost	1,235,156	1,152,890
Less Accumulated Depreciation (Note 3)	508,556	423,158
	<u>726,600</u>	<u>729,732</u>
ESCROW FUNDS IN FOREIGN BANK	<u>110,361</u>	<u>—</u>
INVESTMENTS IN PETROLEUM AND OTHER PROPERTIES, at cost (Note 4)	<u>5,020,875</u>	<u>3,323,280</u>
Less Accumulated Amortization (Note 5)	257,147	204,846
	<u>4,763,728</u>	<u>3,118,434</u>
UNAMORTIZED DEBENTURE COSTS (Note 6)	<u>34,749</u>	<u>63,293</u>
INCORPORATION EXPENSES	<u>22,661</u>	<u>—</u>
Approved on behalf of the Board:		
J. RICHARD HARRIS, Director		
JAMES S. PALMER, Director		
	<u>\$6,783,128</u>	<u>\$4,969,722</u>

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SYRACUSE OILS LIMITED.

We have examined the consolidated balance sheet of Syracuse Oils Limited and its subsidiary companies as at May 31st, 1970 and the consolidated statements of income, retained earnings and source and application of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

LIABILITIES

CURRENT LIABILITIES:

	1970	1969
Bank Loan Installments (secured)	\$ 182,580	\$ 91,300
Accounts Payable	979,452	332,749
Accrued Interest on Debentures (Note 7)	26,944	40,725
	<u>1,188,976</u>	<u>464,774</u>

CUSTOMER'S DEPOSIT ON FUTURE GAS DELIVERY

	<u>350,091</u>	<u>94,373</u>
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DEFERRED LIABILITIES:

Bank Loans, secured by a general assignment under Section 82 of the Bank Act	742,578	400,000
7½ % Convertible Subordinated Sinking Fund Debentures due January 15th, 1989 (Notes 8 and 9)	958,000	1,656,000
	<u>1,700,578</u>	<u>2,056,000</u>
Less Bank Loan Installments due within one year	182,580	91,300
	<u>\$1,517,998</u>	<u>\$1,964,700</u>

SHAREHOLDERS' EQUITY

CAPITAL: (Notes 8, 9 and 10)

Authorized — 10,000,000 common shares of no par value		
Issued — 5,905,768 common shares	\$3,677,952	\$2,112,823
— (5,298,353 common shares at May 31st, 1969)		

RETAINED EARNINGS

	48,111	333,052
	<u>3,726,063</u>	<u>2,445,875</u>

Contingent Liabilities (Note 13)

	<u>\$6,783,128</u>	<u>\$4,969,722</u>
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In our opinion these statements, supplemented by the notes appended thereto, present fairly the financial position of the company and its subsidiary companies as at May 31st, 1970 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta,
September 17th, 1970.

CAMPBELL, SHARP, NASH & FIELD
Chartered Accountants.

CONSOLIDATED STATEMENT OF INCOME

for the year ended May 31st, 1970 (with 1969 figures for comparison)

	1970	1969
Net Oil Sales after Royalties	\$ 144,351	\$ 135,023
Net Gas Sales after Royalties	400,319	360,045
Royalty Income	454	279
Interest and Discounts Earned	11,565	4,993
Sundry Revenue	26,113	16,816
Profit on Sale of Used Equipment	13,254	25,534
Profit on Sale of Petroleum Properties	12,087	32,539
Pipeline Revenue	3,508	976
Profit on Sale of Investments	53,083	22,352
	<u>664,734</u>	<u>598,557</u>
Less: Well Operating and Field Expenses	206,539	159,614
Administration Expenses (Note 11)	341,156	176,560
Interest and Exchange	56,637	58,636
Debenture Interest (Note 7)	88,872	40,725
	<u>693,204</u>	<u>435,535</u>
Net Revenue (Loss) before non-cash expenditures	(28,470)	163,022
Less: Provision for Depreciation (Note 3)	135,402	72,385
Provisions for Amortization:		
— Development Costs (Note 5)	52,301	55,650
— Debenture Costs (Note 6)	28,544	4,871
Provision for loss on Investments	40,224	—
	<u>256,471</u>	<u>132,906</u>
Net Income (Loss) for the year	(\$284,941)	\$ 30,116
Earnings (Loss) per Share	<u>(\$0.05)</u>	<u>\$0.01</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended May 31st, 1970 (with 1969 figures for comparison)

	1970	1969
Balance, June 1st	\$ 333,052	\$ 302,936
Net Income (Loss) for the year	(284,941)	30,116
	<u>\$ 48,111</u>	<u>\$ 333,052</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the year ended May 31st, 1970 (with 1969 figures for comparison)

FUNDS PROVIDED:

	<u>1970</u>	<u>1969</u>
Net Income for the year before providing for Debenture Costs Amortization, Depreciation and Development Amortization	\$ —	\$ 163,022
Customer's Deposit on Future Gas Delivery	255,718	94,373
Long Term Bank Loans	251,298	—
Issue of 7½ % Convertible Sinking Fund Debentures	—	1,750,000
Issue of Common Shares	1,565,129	168,996
Sale of Shares in Woodford Oil & Gas Ltd.	—	5,000
Sale of Shares in Syracuse Oils Norge A/S	95,500	—
Sale of Petroleum and Natural Gas Leases, Options and Interests	12,974	36,146
Sale of Fixed Assets	65,364	5,894
	<u>2,245,983</u>	<u>2,223,431</u>

FUNDS APPLIED:

Net Loss for the year before providing for Debenture Costs Amortization, Depreciation and Development Amortization	28,470	—
Capital Expenditures on Wells	952,757	638,984
Acquisition of Petroleum and Natural Gas Leases, Options, Interests and Mining Properties	757,812	113,628
Acquisition of Fixed Assets	197,634	134,699
Investment in Shares:		
Woodford Oil & Gas Ltd.	33,518	—
H. M. Pan Ocean - Syracuse Oil South Africa (Proprietary) Limited	—	1
Oceanica Petroli Italiana S.p.A.	19,448	1
Walvis Bay Oil and Gas Ltd.	9,001	—
Advances to:		
Syracuse Oils Norge A/S	79,252	18,840
Woodford Oil & Gas Ltd.	981	7,855
H. M. Pan Ocean - Syracuse Oil South Africa (Proprietary) Limited	31,222	—
Payments on Long Term Bank Loans	—	392,300
Escrow Funds in Foreign Bank	110,361	—
Conversion of 7½ % Sinking Fund Debentures into Common Shares	698,000	94,000
Debenture Issue Costs	—	68,164
Incorporation Expenses	22,661	—
	<u>2,941,117</u>	<u>1,468,472</u>
(Decrease) Increase in Working Capital	<u>(\$ 695,134)</u>	<u>\$ 754,959</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31st, 1970

1. Accounts Receivable

This amount, at May 31st, 1970, includes debts due from:

A Director - Officer	\$ 5,169
Officer - Employees	9,943
	\$15,112

Subsequent to the fiscal year end these debts have been repaid.

2. Investments in Other Companies

	1970		1969	
	Shares, at Cost	Advances	Shares, at Cost	Advances
Syracuse Oils Norge A/S	\$154,500	\$ 98,092	\$250,000	\$ 18,840
Woodford Oil & Gas Ltd.	43,518	8,836	10,000	7,855
H. M. Pan Ocean - Syracuse Oil South Africa (Proprietary) Limited	1	31,222	1	—
Oceanica Petroli Italiana S.p.A.	19,449	—	1	—
Walvis Bay Oil and Gas Ltd.	9,001	—	—	—
	226,469	138,150	260,002	26,695
Less provision for losses	9,002	31,222	—	—
	<u>\$217,467</u>	<u>\$106,928</u>	<u>\$260,002</u>	<u>\$ 26,695</u>

3. Depreciation

Machinery and equipment are depreciated at rates calculated to write off the costs over periods not exceeding the useful life of the assets.

During the current fiscal period the company revalued a fixed asset resulting in additional depreciation expense of \$50,000.

4. Investments in Petroleum and Other Properties

	1970	1969
Productive Wells	\$2,307,716	\$1,515,579
Unproductive Wells	1,157,616	996,996
Petroleum and Natural Gas Leases, Options and Interests	1,193,589	449,026
Gross Overriding Royalties	326,977	326,977
Mining Properties	34,977	34,702
	<u>\$5,020,875</u>	<u>\$3,323,280</u>

5. Development Amortization

Provision has been made for the amortization of the drilling and development costs of the wells at the rate of fifteen cents per barrel of oil sold and one cent per thousand feet of gas sold.

6. Unamortized Debenture Costs

These costs are being written off over the term of the debenture, with appropriate adjustments for those debentures which are converted or redeemed.

7. Accrued Interest on Debentures

Subsequent to the current fiscal year end the company paid \$35,925 interest to the debenture holders and the portion of this payment applicable to the period January 16th, 1970 to May 31st, 1970 has been accrued in the accounts.

8. 7½% Convertible Subordinated Sinking Fund Debentures

These debentures are convertible by the holders into common shares as follows:

- (a) On or before January 15th, 1971 — \$1.75 per share
- (b) From January 16th, 1971 to January 15th, 1976 — \$2.50 per share.
- (c) From January 16th, 1976 to January 15th, 1981 — \$5.00 per share.

These debentures are redeemable by the company together with accrued interest as follows:

- (a) On or before January 16th, 1971 — 107.0%
- (b) Thereafter the redemption amount is reduced by 0.5% per year until January 15th, 1984.
- (c) On or after January 16th, 1985 — 100.0%.

On September 16th, 1970 the company called the remaining outstanding debentures of \$777,000 for redemption.

9. Capital Stock Issued

Under outstanding stock options the company issued the following shares during the year:

- (a) 40,000 shares to an employee for cash, at \$0.75 per share.
- (b) 20,000 shares to an officer for cash, at \$1.00 per share.

Under the terms of the debenture issue, 398,841 shares were issued through the conversion of debentures totalling \$698,000 based on a share value of \$1.75 per share.

Under terms of agreements entered into in previous years 148,574 shares were issued for cash, at \$5.50 per share and warrants were issued to purchase a further three shares, at \$8.50 per share for each four shares so acquired. The warrants expire five years from date of issue.

10. Unissued Capital Stock

Of the 5,905,768 unissued shares at May 31st, 1970, the following stock options are outstanding:

- (a) At \$0.75 per share, valid until November 1st, 1971, for 20,000 shares to an employee.
- (b) At \$1.00 per share, valid until November 2nd, 1972, for 60,000 shares to an officer exercisable at ⅓ per year, non-cumulative.
- (c) At \$1.00 per share, valid until November 2nd, 1972, for 60,000 shares to a director exercisable at ⅓ per year, non-cumulative.
- (d) At \$3.50 per share, valid until November 12th, 1974, for 44,000 shares to employees exercisable at 1/5 per year, non-cumulative.

Warrants to purchase 111,429 shares for \$8.50 are outstanding. Of these, 96,695 expire on September 21st, 1974 and 14,734 on February 15th, 1975.

11. Executive Remuneration

Remuneration paid to directors and officers during the current fiscal period amounted to \$33,017.

12. Income Taxes

For income tax purposes the company is entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances in amounts which may exceed the related depletion and depreciation provisions reflected in its accounts, and as a result of claiming excess drilling, exploration and lease acquisition costs for the current fiscal period no income taxes are payable.

The company does not believe that it is appropriate to provide for income taxes deferred as a result of claims for drilling, exploration and lease acquisition costs because, based on a continuous exploration policy, no material amounts of income taxes will be payable in the foreseeable future. While the accounting policy of the company conforms with general practice in the oil and gas industry and is accepted by accounting authorities outside Canada, it differs from the tax allocation basis of accounting recommended by The Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants, effective for fiscal years commencing on or after January 1st, 1968.

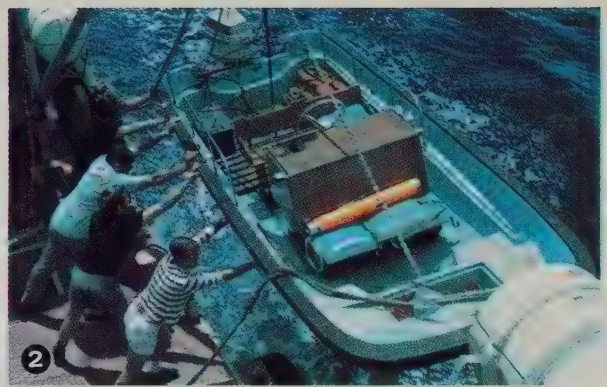
13. Contingent Liabilities

No Directors' Fees have been paid or accrued for the last year. However, an informal agreement exists whereby each director is to receive a fee of between \$500 and \$700 per year. Payment of these fees has been suspended for the time being, but it is intended to accumulate the unpaid amounts and to pay them when circumstances permit.

There are outstanding non-interest-bearing promissory notes, payable to the Receiver General of Canada, for \$194,355. These notes were given to evidence performance undertakings on exploratory development of leases.

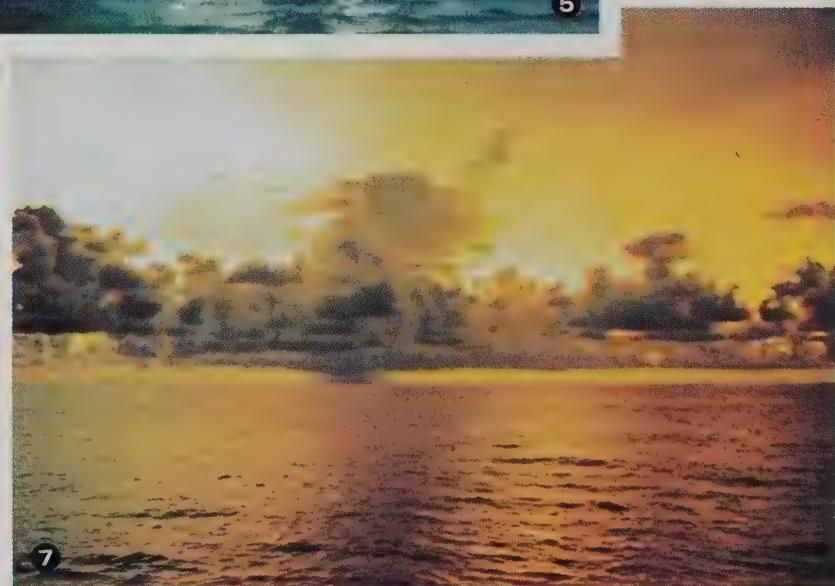
14. Subsequent Events

Subsequent to the fiscal year end the company paid, in United States funds, \$625,000 bonus for their share of a concession located in the Arabian Gulf offshore of Abu Dhabi. These funds were provided by an additional secured bank loan.



INDONESIA

1. Crew departing Singapore to commence Syracuse Indonesian seismic program.
2. Launching Boston Whaler to deploy sono-buoy used to record refraction data.
3. Semi-submersible drilling rig undergoing repairs in Singapore harbour.
4. Coastal waters, Karimata contract area.
5. Vessel used to shoot marine seismic in Indonesia.
6. "Rio Das Contas" shooting in Mentawai contract area.
7. Rainstorm at sunset, Mentawai area.





LAND HOLDINGS AT MAY 31, 1970

Country		Area	Working Interest Acres	
			Gross	Net
Canada	1	Alberta and Saskatchewan	650,469	270,537
	2	Yukon and N.W.T.	354,734	142,707
	3	Arctic Islands	1,377,258	500,827
	4	Foxe Basin	427,608	149,663
	5	Hudson Bay	693,712	277,485
	6	East Coast	1,388,515	493,485
Italy	7	Adriatic Sea	169,530	16,282
Indonesia	8	Indian Ocean & Java Sea	30,121,132	3,723,469
Maldiv Islands	9	Indian Ocean	30,201,173	3,775,147

Netherlands	10	North Sea	40,064	2,604
Norway	11	North Sea	276,752	39,437
South Africa	12	Port Elizabeth	6,890,240	817,871
Total Working Interest Acres			72,591,187	10,209,514

HOLDINGS ACQUIRED SINCE MAY 31, 1970

Country		Area	Working Interest Acres	
			Gross	Net
Abu Dhabi	13	Arabian Gulf	778,381	155,676
United Kingdom	14	North Sea	110,407	27,602
Total Working Interest Acres			888,788	183,278

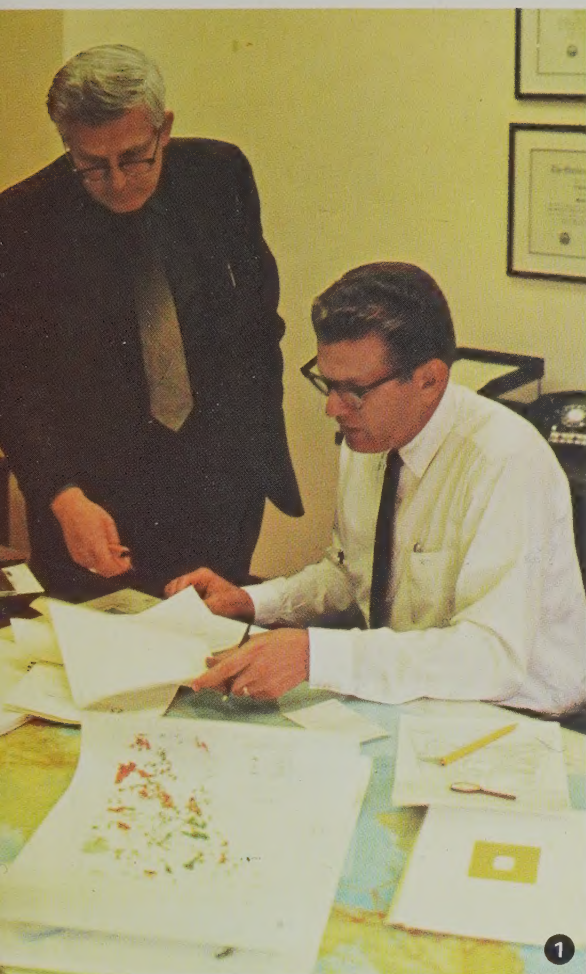


MAP OF WORLD LAND HOLDINGS

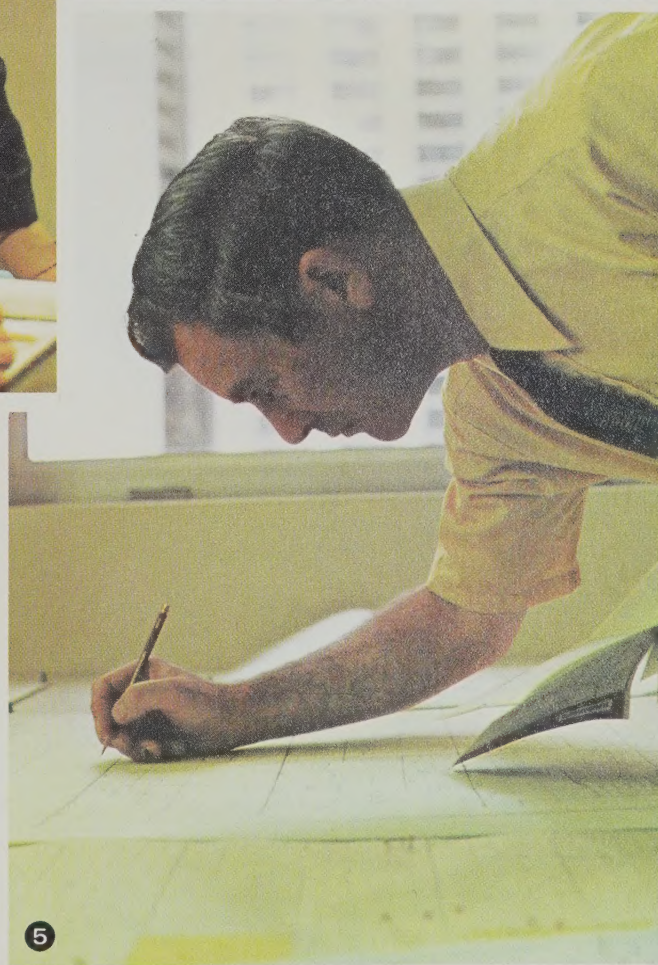
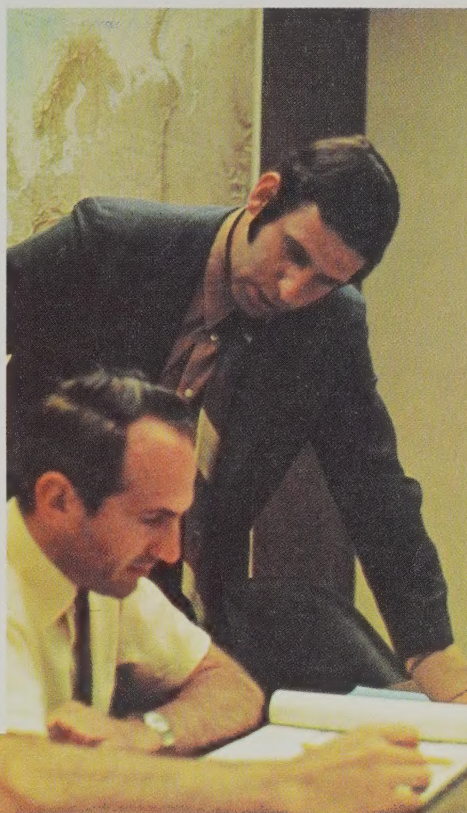
FIVE YEAR STATISTICAL RECORD

FINANCIAL	1970	1969	1968	1967	1966
Net crude oil sales after royalty	\$ 144,351	135,023	147,909	167,356	194,020
Net natural gas sales after royalty	\$ 400,319	360,045	74,309	33,413	34,857
Sundry income	\$ 38,132	22,088	26,591	12,055	14,479
Profit on sale of fixed assets	\$ 13,254	25,534	9,761	15,293	419
Profit on sale of properties	\$ 12,087	32,539	3,040	25,842	12,375
Pipeline revenue	\$ 3,508	976	15,345	6,299	3,197
Profit on sale of investments	\$ 53,083	22,352	—	—	—
GROSS INCOME	\$ 664,734	598,557	277,045	260,258	259,347
Operating expenses	\$ 206,539	159,614	119,262	116,532	121,123
Administrative expenses	\$ 341,156	176,560	104,221	83,934	48,899
Interest and exchange expenses	\$ 145,509	99,361	18,341	9,580	8,468
CASH FLOW	\$ (28,470)	163,022	35,221	50,212	80,857
Depreciation	\$ 135,402	72,385	31,642	28,068	31,285
Amortization	\$ 121,069	60,521	20,054	16,152	18,551
NET PROFIT (loss)	\$ (284,941)	30,116	(16,475)	5,992	31,021
Working capital (deficit)	\$ (388,342)	306,792	(448,168)	(35,234)	(20,152)
Long-term debt	\$ 958,000	1,656,000	—	—	—
Bank loans	\$ 742,578	400,000	749,000	211,000	137,000
Number of shares outstanding at year-end	5,905,768	5,298,353	5,164,641	5,144,641	4,490,686
Shareholders' equity	\$ 3,726,063	2,445,875	2,246,762	2,248,238	1,928,868
OPERATING					
Oil sales, net after royalty (bbls.)	52,807	53,169	55,651	63,684	74,138
Average oil price (\$/bbl.)	2.73	2.54	2.66	2.63	2.62
Gas sales, net after royalty (Mcf.)	4,100,730	3,995,564	866,805	398,571	500,269
Average gas price (¢/Mcf.)	9.76	9.01	8.57	8.38	6.97
Oil and gas sales, net after royalty (bbls.)	199,419	194,969	83,261	76,384	87,458
Oil reserves, net after royalty (bbls.)	2,174,522	1,934,000	777,800	386,600	426,100
Gas reserves, net after royalty (MMcf.)	106,413	59,500	48,900	41,300	41,500
Oil - gas reserves, net after royalty (bbls.)	5,979,100	4,039,000	2,349,800	1,701,600	1,530,100
Gross working interest lands (acres)	72,591,187*	66,324,678*	7,855,042*	752,873*	668,037*
Net working interest lands (acres)	10,209,514*	8,918,966*	917,031*	177,818*	173,456*
Gross royalty interest lands (acres)	790,000	1,365,547	1,415,467	1,520,426	9,840
Net royalty interest lands (acres)	65,400	129,533	133,249	140,953	970
Gross oil wells	42	39	37	38	36
Net oil wells	26.02	22.20	20.09	22.61	24.36
Gross gas wells	59	46	35	26	25
Net gas wells	33.05	26.82	12.09	15.51	15.47
Number of employees	19	12	11	7	6
EXPLORATION					
Drilling and land acquisition expenditures	\$ 1,697,595	716,466	544,658	155,985	110,674
Exploratory wells drilled (gross)	28	13	8	3	6
Exploratory oil wells completed (gross)	0	1	0	0	0
Exploratory gas wells completed (gross)	12	5	0	1	6
Exploratory wells drilled (net)	10.92	4.13	1.70	0.75	1.77
Exploratory oil wells completed (net)	0	0.25	0	0	0
Exploratory gas wells completed (net)	5.73	2.00	0	0.25	1.77
Development wells drilled (gross)	12	10	11	1	11
Development oil wells completed (gross)	10	3	3	0	2
Development gas wells completed (gross)	1	4	6	1	3
Development wells drilled (net)	8.69	5.50	9.43	0.13	1.71
Development oil wells completed (net)	8.00	1.69	1.43	0	0.25
Development gas well completed (net)	0.50	2.38	6.00	0.13	0.38

* Includes Company's interest in acreage owned by affiliated companies.



1. l. to r.: Arthur H. Gilmour, J. Richard Harris
2. William E. Smith, C. Rod DeLuca (standing)
3. Fred J. Wellhauser
4. l. to r.: Ed Miller, Andrew T. Gibson
5. William R. Keir



REGISTRARS AND TRANSFER AGENTS

Guaranty Trust Company of Canada
Calgary, Vancouver, Toronto
Josolyne, Miles & Cassleton Elliott,
London, England

AUDITORS

Campbell, Sharp, Nash & Field, Calgary

SOLICITORS

Burnet, Duckworth, Palmer, Tomblin
O'Donoghue, Beattie and Haigh, Calgary

BANKERS

The Royal Bank of Canada, Calgary

CONSULTANTS

McDaniel Consultants (1965) Ltd., Calgary

STOCK EXCHANGES

Toronto, Ontario
Vancouver, British Columbia
London, England [Section 163(1)E]

